BRITISH COLUMBIA

BC STATS

Service BC
Ministry of Management Services

Infoline

Contact: bcstats.infoline@gems6.gov.bc.ca *Issue: 05-10* *March 11, 2005*

- **BC's unemployment rate jumps to 7.0% in February, as labour force growth outpaces job gains**
- **Exports up 3.0% in January, boosted by strength in energy sector and trade with US**
- **Housing starts rebound in February**

Labour Force

- **British Columbia's unemployment rate jumped 0.5 percentage points, rising to 7.0% (*seasonally adjusted*), a six-month high, in February.** The increase in the incidence of unemployment was mainly due to a labour force that was growing more rapidly (+0.9%) than the number of jobs (+0.4%) in the province. Between January and February, the number of people who were either working or looking for work expanded by 21,200, nearly triple the increase (8,100) in the number of jobs.

  The job growth was concentrated in certain sectors of the economy: women (+0.8%), public sector (+2.7%), part-time (+3.5%) and self-employed (+1.0%) workers made gains in February. However, the number of men with jobs was unchanged for the second month in a row, while private sector (-0.4%) and full-time (-0.4%) employment shrank. The unemployment rate for young people (aged 15 to 24) edged up to 12.5% in February.

  Data Source: Statistics Canada

- **Both goods (+0.6%) and service (+0.3%) industries took on more workers in February.** Within the goods sector, manufacturing (-1.5%) was the only industry that trimmed its workforce. Job gains in most goods industries ranged from two to three percent.

  In the service sector, employment in management & administration (+9.9%) continued to expand, while professional, scientific & technical (+3.4%) and education (+3.3%) services posted slower, but still significant increases. There were more jobs in finance, insurance & real estate (+1.7%) and wholesale & retail trade (+1.1%). However, employment in accommodation & food services (-7.0%) declined for the second month in a row. *Data Source: Statistics Canada*

- **Among regions, unemployment rates ranged from a low of 4.5% (*3-month moving average*) in Northeast to 10.3% in North Coast/Nechako, where the jobless rate climbed back up into the double digits in February–a level it has been at for most of the last four-and-a-half years.** Mainland/Southwest (6.3%) and Thompson/Okanagan (6.7%) continued to experience relatively low unemployment rates. Workers in Vancouver Island/Coast (7.8%), Cariboo (8.2%) and Kootenay (8.9%) were more likely to be unemployed. However, Victoria (5.3%) continued to have a very low unemployment rate, a full percentage point less than the jobless rate in Vancouver (6.3%) and well below the provincial average.

  Data Source: Statistics Canada

- **Canada's unemployment rate (7.0%) was stable in February, as both the labour force (+0.2%) and the number of jobs (+0.2%) increased at the same rate.** Alberta (4.2%), Saskatchewan (4.9%) and Manitoba (5.0%) continued to have the lowest jobless rates in the country, while Newfoundland (15.2%) and PEI (10.2%) had the highest incidence of unemployment. *Data Source: Statistics Canada*

The Economy

- **Exports of BC products increased 3.0% (*seasonally adjusted*) in January.** There was growth in all commodity categories, but energy products stood out with a 9.6% gain.

  The energy sector was also one of the main drivers of growth in exports to the US. Energy exports to the States climbed 11.4% in January. This, combined with an increase in agriculture & fish (+6.0%) and forest (+2.8%) product exports, helped boost the total value of US-bound exports, which rose 3.3%.

  Exports to overseas destinations increased 2.6%. Shipments of forest products to countries other than the US were down (-3.5%), as were

Report The Internet Pharmacy Debate

Did you know...
The first Chinese community in Canada was founded in Barkerville during the gold rush. By 1860, Vancouver Island and Mainland BC had an estimated population of 7,000 Chinese. In 2001, about a third of the one million Canadians with Chinese ancestry lived in BC.

agriculture & fish products (-4.4%), but exports of other commodities increased significantly in February. *Data Source: Statistics Canada & BC Stats*

- **The value of building permits issued by BC municipalities edged down 0.2% (seasonally adjusted) in January as planned spending on non-residential projects (-28.0%) more than offset a jump in residential construction intentions (+17.5%).** Permits for institutional and government buildings led the decline (-51.9%), but commercial (-19.4%) and industrial (-7.4%) permits were also down. Values fell sharply in Vancouver (-20.5%) and in Victoria (-47.3%).

  Nationally, builders took out $4.5 billion in building permits in January, 11.0% less than in December 2004. Ontario (-26.5%) played the biggest role in the overall monthly decline. There is a great deal of month-to-month variation in the value of building permits, even after adjusting for seasonal factors. *Source: Statistics Canada*

- **Housing starts in the province bounced back in February, rising (+11.5%, *seasonally adjusted*) for the first time since November.** Despite the recent slowdown, the number of starts in the province has remained high as a building boom that began in 2002 continues. Nationally, the number of starts increased 5.3% in February, with strong gains occurring in most of western Canada as well as Ontario. In Atlantic Canada and Quebec, there was a mixed bag of results, with strong gains in Newfoundland (+34.5%) and Nova Scotia (+12.0%) offset by weakness in the rest of the region. *Source: CMHC*

- **The cost of new housing in Vancouver and Victoria continued to rise in January.** The new housing price index for Vancouver was up 3.7% from January 2004, mainly due to rising house costs (+4.9%). Vancouver land prices remained flat (+0.4%). In Victoria, the cost of new housing jumped 6.9% with both land (+6.9%) and housing prices (+7.3%) increasing. *Source: Statistics Canada*

Divorce

- **A total of 9,820 divorces were finalized in BC in 2003, down 3.0% from 2002.** This was the lowest number since 1999. Nationally, the number of divorces edged up 1.0% to 70,828. Prince Edward Island (+8.9%), Ontario (+5.1%), Saskatchewan (+1.7%), and Quebec (+1.4%) were the only provinces where there were more divorces in 2003 than in 2002.

  In 2003, four out of every ten married couples in BC were likely to split up before celebrating their 30th wedding anniversary. Quebec (49.7%), Alberta (40.0%) and BC (39.8%) are the provinces where couples were most likely to divorce, while Newfoundland had the lowest 30-year divorce rate (17.1%) in the country. The national average was 38.3%. The likelihood of divorce peaks after the third year of marriage and declines thereafter. *Data Source: Statistics Canada*

The Nation

- **Canadian industries increased their rate of capacity utilization to 86.0% in the fourth quarter of 2004.** This was marginally higher than the 85.7% utilization rate observed in the third quarter.

  Capacity utilization shot up to 95.9% in the mining sector, which has ramped up drilling and rigging activities in response to soaring oil prices. This was the highest rate since the second quarter of 2001, when capacity use reached 98.1%.

  The manufacturing sector was curbed by weak international demand, which was partly due to the strength of the Canadian dollar. This kept the lid on production and the overall utilization rate remained unchanged at 88.5%. However, producers of forest products continued to operate at near-full capacity: 97.4% in the wood industry, and 92.8% in the paper industry. *Data Source: Statistics Canada*

- **With the slowdown in economic activity and the continued rise in hours worked, Canadian business sector productivity was flat (0.0%) in 2004.** *Data Source: Statistics Canada*

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For data originating from Statistics Canada, data sourced to 'Statistics Canada' has been retrieved from CANSIM, the agency's electronic database; otherwise the source is identified as 'SC' plus the catalogue number.

Infoline Report

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Originally published in *Exports*, Issue 04-12. Annual Subscription $60 +GST

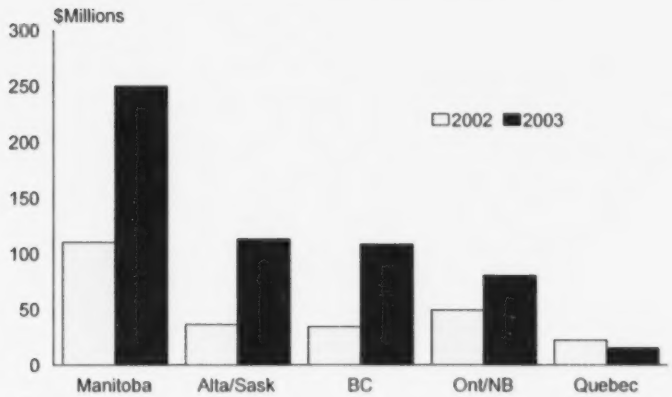
The Internet Pharmacy Debate

The increase in Americans seeking to import packaged pharmaceuticals from Canada has Canadians concerned about possible price increases and supply shortages. Federal Health Minister Ujjal Dosanjh has made it clear that Canada can not be a drugstore for the United States and has threatened to bring in new legislation governing Internet pharmacies as a measure to protect Canada's drug supply.

The recent drive by US politicians to legalize pharmaceutical imports from Canada has sparked concern in Canada over its drug supply

This issue has gained prominence in recent years as a large number of Internet pharmacies have sprung up in Canada and sales to American customers have skyrocketed. In addition, there are several US politicians who are promoting the legalization of packaged pharmaceutical imports as a way of making the drugs more affordable for American citizens.

Canadian Internet Pharmacy Sales to US Residents Surged in 2003



Source: IMS Health Canada

Pharmaceutical sales to Americans through Canadian Internet pharmacies more than doubled in 2003

According to IMS Health Canada, a company that compiles health information data for Canadian pharmaceutical companies and other health care stakeholders, sales of pharmaceuticals through Internet pharmacies in Canada to United States residents more than doubled in 2003 to between $566 and $605 million, compared to $251 million in sales in 2002.[1] The Internet pharmacy business in Canada has grown from virtually nothing in just the last five years to a multi-million dollar industry. Most of the pharmacies are concentrated in the provinces west of Ontario, particularly Manitoba, which employs roughly half of those working in the

Sales to American consumers by Canadian Internet pharmacies have soared in recent years

[1] Source: IMS Health Canada, "Retail Prescriptions Grow at Record Level in 2003." (http://www.imshealthcanada.com/htmen/1_0_9.htm) Accessed February 3, 2005.

industry. However, the business has been expanding in BC as well, as Internet pharmacies in British Columbia brought in about a fifth of the revenue from sales to American consumers in 2003, which is well up from just over 13% of market share in 2002.

In addition to those Americans who buy drugs from Internet pharmacies, there are others, particularly those living close to the Canada-US border, who make cross-border trips to stock up on Canadian drugs. There is no reliable estimate available of the volume of these drug purchases, but combined with those from Internet pharmacies, the numbers are starting to add up.

The growth in purchases of packaged pharmaceuticals through the Internet and the instance of cross-border excursions to buy drugs has been driven by the relative difference in prices paid by Canadian and American consumers. IMS Health Canada estimates that if the Americans buying drugs from Canadian Internet pharmacies had purchased the approximately Cdn$600 million worth of drugs in their own country instead of through the Internet, it would have cost them US$1.1 billion. Most of these American consumers do not have health insurance that covers the cost of drugs and achieving a savings of 50% or more on their pharmaceutical costs may make the difference between being able to afford those medications and having to do without.

Savings of as much as 70% are the driving force behind American purchases of Canadian drugs

Currently, it is illegal in the United States for anyone other than drug companies to import packaged pharmaceuticals, but there is a push by some groups, including American seniors and several politicians, to change that legislation and legalize drug imports. The issue has resulted in questions being raised about the safety of drug imports for Americans and about supply and cost issues for Canadians.

While most of the fears about the safety of drugs purchased from Canadian pharmacies are overblown, there are some legitimate concerns that should be considered. For instance, some drugs manufactured in Canada have a different composition than those made in the US, so there could be a danger of adverse reactions if the drugs are taken in combination with other medications. There is also the issue of the ethics of Canadian doctors prescribing medications without first seeing the patient. This is one practise that Health Minister Dosanjh has suggested is in violation of current regulations.

Dosanjh has expressed willingness to establish tough new rules for Internet pharmacies, even if those regulations end up killing the industry. His remarks have spurred some US governors to plead with the Canadian government to maintain the free flow of drugs across the border amid concern that restricting access to Canadian pharmaceuticals could leave many Americans without the medicines they need to survive. The fear in Canada is that if the US legalizes drug imports, the Canadian drug supply and/or Canada's regulated pricing system could be threatened.

The push in the US to legalize the import of retail drugs is raising concern about the supply and cost of drugs for Canadians

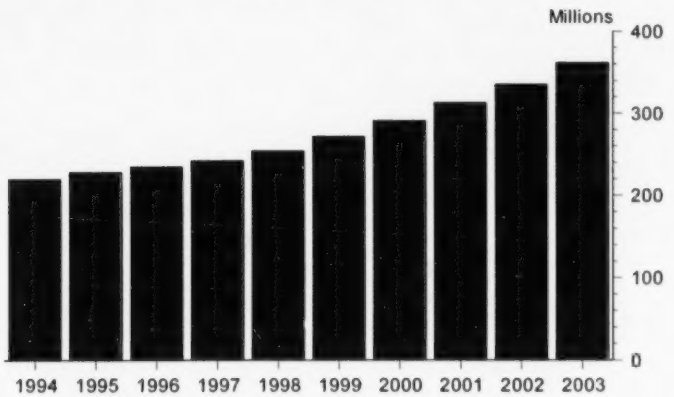
A C.D. Howe Institute study supports the concept that Canada's supply of drugs and low-price regime could be in danger, but suggests that price controls have minimal impact on drug prices in Canada. Rather, it says that it is the practise of price discrimination by American drug companies that is responsible for the gap in prices paid by Canadians and those paid by uninsured American consumers.[2] The authors postulate that Canadian provinces making bulk purchases have better leverage for getting price discounts from drug manufacturers compared to individual purchasers and that it is this bargaining power that is responsible for the price differential, rather than price controls. Apparently, the price control mechanism in place in Canada is rarely applied, although the authors concede that the very existence of the possibility of price controls being applied could have some affect on prices.

According to the study, even within the United States, drug companies charge different rates to different buyers. Uninsured consumers have very little buying power, so they end up paying the highest prices. Large corporations and Health Maintenance Organizations (HMOs) have more leverage and therefore pay less for drugs and the Federal government pays the least of all. The rate paid by the Federal government in the United States is comparable to that paid by the provincial governments in Canada.

Drug companies charge different amounts to different consumers to maximize their profit

The authors of the study suggest that if drug imports into the United States are legalized, drug companies will be forced to restrict the amount of drugs available to Canadians and raise prices to protect their profits. Not only would this prove to be an enormous burden on provincial health budgets, but it would also endanger Canadians' access to beneficial drugs.

Retail Prescriptions Dispensed in Canada



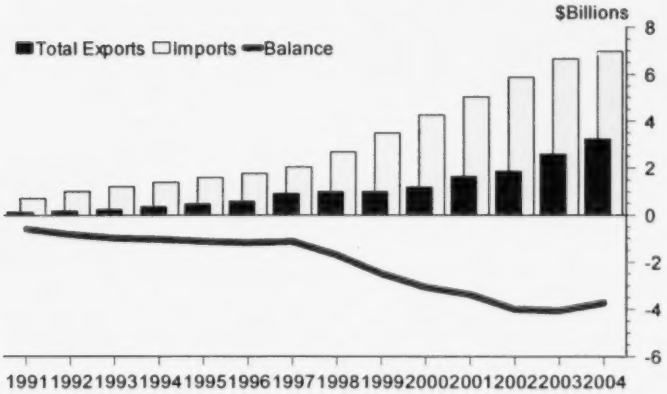
Source: IMS Health Canada

The demand in Canada for prescription drugs is rising as the population ages and new drugs become available

[2] Hollis, Aidan and Anis, Aslam, *Rx for Canada: Close the Internet Pharmacies*, C.D. Howe Institute Commentary, No. 205, October 2004.

As the population ages and as new treatments are discovered for old diseases, the demand for prescription drugs is rising. According to IMS Health Canada, the number of retail prescriptions dispensed in Canada has risen 64% in the last decade. The rise in prescriptions is mirrored by the increase in imports of retail pharmaceuticals. Although (legal) exports of packaged pharmaceuticals have also expanded, imports have increased to a far greater extent, such that Canada's deficit in trade in retail drugs has climbed significantly in the last decade.

Canadian Trade in Packaged Pharmaceuticals
(excluding Internet pharmacies and cross-border purchases by American residents)



Source: Statistics Canada

Canada has a significant deficit in trade of packaged pharmaceuticals – even if Canadian Internet pharmacies were included (of which sales are about a fifth of "legal" exports)

The rising demand for prescription drugs in Canada highlights the need to ensure an adequate supply is available at a reasonable cost. Already, several major US pharmaceutical manufacturers have blocked sales to Canadian pharmacies that export drugs to American patients, underlining the possibility that open trade in retail drugs could result in a supply shortage in Canada. However, American drug companies will have to walk a fine line with respect to restricted supply, because the Canadian Patent Act could allow generic manufacturers to break international copyrights if there are drug shortages. More likely, the cost of drugs in Canada would increase so that American drug manufacturers could protect their profits in the US.

While it is easy to empathize with those Americans who could be left without the medication they need if Canada shuts down Internet pharmacy exports, in the end, the purpose of the Canadian government is to look after the interests of Canadians. Similarly, the American government has to shoulder the responsibility of looking after its own citizens, whether that means implementing a national health care system, or regulating drug prices, or encouraging the use of generic drugs, or some other measure.

Infoline

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also on the Internet at www.bcstats.gov.bc.ca

BC at a glance . . .

POPULATION (thousands)	Oct 1/04	% change on one year ago
BC	4,209.9	1.1
Canada	32,040.3	0.9
GDP and INCOME		
(BC - at market prices)	2003	% change on one year ago
Gross Domestic Product (GDP) *($ millions)*	145,550	5.2
GDP *($ 1997 millions)*	133,600	2.5
GDP *($ 1997 per Capita)*	32,175	1.6
Personal Disposable Income *($ 1997 per Capita)*	19,758	0.3
TRADE ($ millions, seasonally adjusted)		% change on prev. month
Manufacturing Shipments - Dec	3,595	-1.0
Merchandise Exports - Dec	2,617	0.9
Retail Sales - Dec	4,008	0.7
CONSUMER PRICE INDEX		12-month avg
(all items - 1992=100)	Jan '05	% change
BC	123.6	2.1
Canada	125.3	1.9
LABOUR FORCE (thousands)		
(seasonally adjusted)	Feb '05	% change on prev. month
Labour Force - BC	2,258	0.9
Employed - BC	2,100	0.4
Unemployed - BC	158	8.9
		Jan '05
Unemployment Rate - BC *(percent)*	7.0	6.5
Unemployment Rate - Canada *(percent)*	7.0	7.0
INTEREST RATES (percent)	Mar 9/05	Mar 10/04
Prime Business Rate	4.25	4.00
Conventional Mortgages - 1 year	4.80	4.30
- 5 year	6.05	5.80
US/CANADA EXCHANGE RATE	Mar 9/05	Mar 10/04
(avg. noon spot rate) Cdn $	1.2065	1.3270
US $ *(reciprocal of the closing rate)*	0.8295	0.7557
AVERAGE WEEKLY WAGE RATE		
(industrial aggregate - dollars)	Feb '05	% change on one year ago
BC	704.90	2.8
Canada	692.92	2.6

SOURCES:

Population, Gross Domestic Product, Trade, Prices, Labour Force, Wage Rate } Statistics Canada

Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics

For latest Weekly Financial Statistics see www.bankofcanada.ca

Check it out!

Aboriginal Profiles

Statistical Profiles by College Region With Emphasis on Labour Market and Post-Secondary Education Issues

These profiles provide comparisons of the socio-economic conditions of the on-reserve and off-reserve aboriginal populations as well as the non-aboriginal population by College Region. Data are from the 1996 and 2001 Census, Statistics Canada.

http://www.bcstats.gov.bc.ca/...

data/cen01/abor/ap_main.htm

Released this week by BC STATS

- Tourism Sector Monitor, February 2005

Next week

- Labour Force Statistics, February 2005
- Earnings & Employment Trends, February 2005
- Exports, January 2005

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